ARIZONA ECONOMIC TRENDS

A PUBLICATION OF
THE ARIZONA DEPARTMENT OF ECONOMIC SECURITY

Fall 2001

BLS Program, WARN Can Give Details of Layoffs

Note: In light of the large number of layoffs in Arizona (and nationally) during the past 18 months, portions of articles on federal legislation and a data-collection program that report mass layoffs are being reprinted with some updated information. The articles were part of a three-part series — published in the April, May, and June 1992 issues of Arizona Economic Trends — that focused on programs/legislation designed to track and ease the effects of mass layoffs on workers and their communities.

It was about a decade ago that a long period or prosperity came to an end with a conflict in the Middle East. At the time, problems in the finance industry — brought on by change in the federal tax laws and loose lending policies and cuts in defense spending at the end of the Cold War — triggered a rash of mass layoffs. States such as California — with major defense manufacturers and a large military presence — were decimated by military cuts, while in Arizona nary a savings & loan was left for the Resolution Trust Corp. to pick up the pieces and sell off to more stable financial concerns.

Fast forward to the spring of 2000. Stock prices were at an all-time high and just a company's association with the Internet meant instant name recognition and added value to its stock price. After eight years of prosperity, it looked like the Federal Reserve had found a way to manipulate the financial markets to bypass recessions.

Then … the bubble burst. First stock prices began to fall, then companies seeing their business value shrinking, started liquidating assets, most notably their workers. Internet business became synonymous with red ink, and instant millionaires began filing for bankruptcy. The high-tech industry was (and still is) hit the hardest, with companies such as Motorola laying off a quarter (nearly 40,000) of its employees within an 18-month period. And mining businesses, suffering from low copper prices, began abandoning Arizona and other states for cheaper labor in South America and Third World countries.

Then the events of September 11th sent further shock waves through an already shaky U.S. (and Arizona) economy, with the transportation and tourism industries receiving a shaking the equivalent of 8.0 on the Richter scale. Arizona has been particularly hard hit because it is home to America West Airlines (which laid off 2,000 employees immediately) and is heavily dependent on the tourism industry. Resorts, suffering from low occupancy rates to begin with, and related industries (e.g., travel agencies) were forced to cut employees. And state and local government, feeling the effects of lower revenues, has had to tighten its belt in light of a $1.5 billion two-year state budget deficit.

There are several options for assessing the employment carnage nationally and locally for the last two years, but each has its limitations and, in some cases, the data can be misleading.

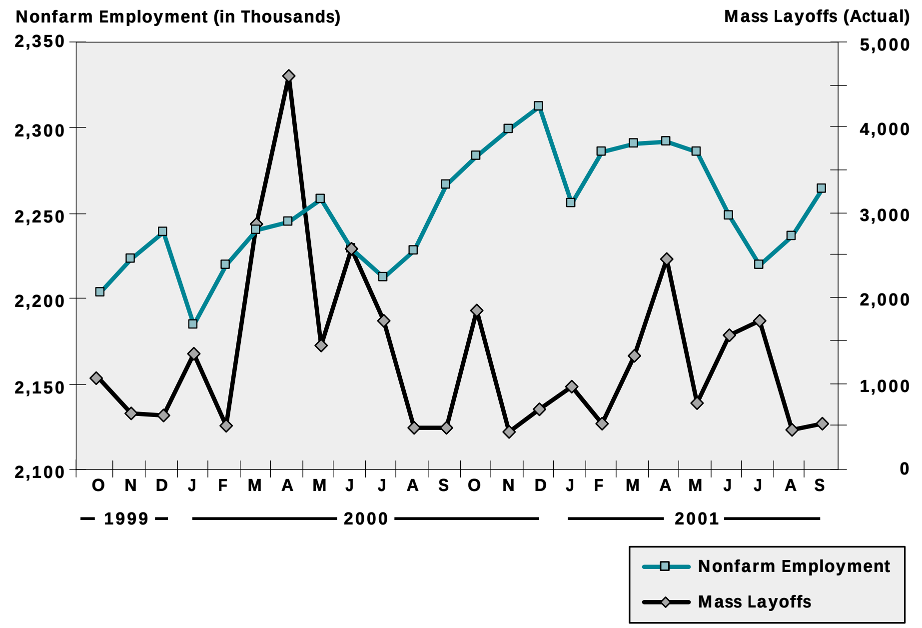
One way would be to look at the change in nonfarm payroll employment and labor force data. The U.S. Department of Labor's two major employment surveys, the Current Employment Statistics (CES) and Local Area Unemployment Statistics (LAUS) programs, track industry employment

IN THIS ISSUE

Volume 25 No. 3

Figure 1

Arizona Nonfarm Payroll Employment and Mass Layoff Totals, October 1999-September 2001



Source: Arizona Department of Economic Security, Research Administration, November 2001

and overall employment and unemployment trends, respectively, on a monthly basis.

But looking at state's raw employment data the past two years, however, would not portray the full extent of the loss of jobs in Arizona. CES' nonfarm payroll data only convey the *net change* between job gains and losses. For example, from September 1999 through September 2001, Arizona's nonfarm payroll employment rose by 82,000 — from 2.182 million to 2.264 million (see Figure 1). But that 82,000 gain, for example, could come from many combinations of gains and losses: 102,000 gain and 20,000 loss; 122,000 gain and 40,000 loss; 162,000 gain and 80,000 loss.

Somewhat similarly, employment and unemployment data generated by the LAUS program (from the national monthly Current Population Survey) is subject to a number of variables that won't necessarily reflect recent mass layoffs. First, the survey for Arizona is based on a random sample of about 700 people — rotated in and out on a four-month basis — that may or may not be affected by mass layoffs. Secondly, LAUS data are seasonally adjusted, which makes them less susceptible to one or two independent layoff events. Third, people are moving in and out of the workforce all of the time for various reasons — such as in the summer when a rush of students looking for work tends to raise the number of unemployed, or the in fall when teachers return to work and decrease the number of unemployed — which can offset several major layoff events. According to a Lehman Bros.' study,“ … over the last seven years there has been little apparent relationship between the number of announced layoffs across corporate America and the unemployment rate.”[1]

Another possible way of determining employment losses would be to track numbers released through media outlets. Nationally, Challenger, Gray and Christmas has compiled a list of corporate layoffs since 1993, while DES, Research Administration's biweekly *Industry Update* (available on the Internet) compiles reports on expected layoffs and hirings. These type of publications, though, are only as good as their sources. In the case of *Industry Update*, primarily Arizona newspapers are the source of information.

But even if the data are accurate, often the information can be misleading. First, many times layoff announcements might appear much worse than they are. For example, when Whirlpool announced in December 2000 it would cut 6,000 jobs, or 10 percent of its workforce, the “6,000” number made it into the headlines across the country and into Challenger's layoff total for December 2000, which set a record at the time.[2] However, when details of the Whirlpool layoffs were made known later, it turns out a majority of the cuts occurred overseas, which have little or no effect on the U.S. economy.

Another problem with media reports is that while the job-cut number may be accurate, the *type of layoffs* do matter. According to a *New York Times* article, many job-cut announcements indicate permanent layoffs, when in reality most of the job losses may come from attrition and retirement. “Such cuts do affect the economy, because the jobs no longer exist for other people to fill. Yet attrition does not cause nearly as much economic pain as do permanent layoffs, which can severely disrupt families and usually lower the incomes of affected workers for several years,” the *Times* article said.[3]

That's where one BLS program and a piece of federal legislation that track mass layoffs can come in handy. One of the best sources of data comes from U.S. Department of Labor's Mass Layoff Statistics (MLS) program, a federal/state cooperative program which was created in the early 1980s

(continued on back page)

Jury Still Out on Effectiveness of Early Closing Law

Note: Portions of this article were originally published in the May 1992 issue of Arizona Economic Trends. Since that time, the Workforce Adjustment and Retraining Notification (WARN) legislation has not changed, but some updated information on the law's effects was added to this article.

It's 2 p.m. on a Friday afternoon and XYZ Company has just notified employees that it plans to go out of business as of 5 p.m. today. Rumors had been flying for weeks that XYZ was planning to lay off workers or cease operations, but no official word has come down from management.

Most of the company's 500 employees, many with 20 or more years of service, had not prepared — job-search wise or emotionally — for the possibility of losing their jobs, primarily because they always had felt their employment was secure. XYZ, meanwhile, had known for several months that it would be shutting its doors due to declining sales, but did not want to end its operations before it had lined up a buyer for its buildings. Also, the company had feared that by giving advance notice of a plant shutdown, disgruntled employees may not work as hard and that it would cause stressful conditions between workers and management during the final months of operation.

Prior to Feb. 4, 1989, the above scenario — or something close to it — would not have been unusual at many medium-size and large U.S. companies. Except in two states and where labor and management had prearranged agreements, U.S. businesses had the right to let go workers with no advance warning,[1] although company policies varied across the board: some employers offering generous severance packages, while others gave little or no leave benefits.

But with passage of the Worker Adjustment and Retraining Notification Act (WARN) in August 1988, more commonly known by its acronym, the playing field between medium- and large-size businesses and their workers — as it related to layoffs — became a little more level. With a few exceptions, companies with 100 or more full-time workers were now required to give advance written notice at least 60 days prior to a permanent plant closure or major layoff.

WARN defines a "plant closing" as an employment loss of 50 or greater at one or more distinct units within a single site within a 30-day period: A "mass layoff" is defined as an employment loss at a single site of 500 workers, or 33 percent of the employees if it involves at least 50 workers, within a 30-day period (see "DOL Brochure Gives Details ...," p. 4)

"Workers, their families and their communities will now have a better chance to plan for the future," said AFL-CIO President Lane Kirkland after WARN was passed.[2] The director of legislative affairs and human resources at the National Association of Manufacturers, however, warned that the new legislation would hurt medium-size businesses, who he said often cannot predict what they plan to do two months in advance.[3]

Industry Changes Led to WARN

What provoked Congress to pass an early notification law — which was already required in most European countries and parts of Canada — was primarily due to two reasons: rapid structural changes in the nation's industrial base during the late 1970s and early '80s, which caused widespread layoffs and plant closings; and a large percentage of U.S. workers affected by those changes who were receiving little or no advance warning before losing their jobs.

Although an early notification law had been introduced in Congress as early as 1973, the idea didn't gain momentum until the mid-'80s when, despite better economic times, a large displacement of workers was still occurring. According to a General Accounting Office (GAO) report, even in the strong economic years of 1983 and 1984 — when U.S. employment increased about 5 percent — more than 1 million workers lost their jobs due to business closure or permanent mass layoffs in establishments with more than 100 workers, with another million jobs likely lost in smaller establishments.[4]

Making matters worse, between January 1979 and January 1984 one-fourth of all displaced workers were without a job for a year or more. And of those returning to work, the majority took a cut in earnings, either through lower wages or acceptance of part-time employment in place of a full-time job.[5]

Concerning advance notification, two major surveys were conducted by federal agencies in the mid-'80s showing a lack of warning time for a good percentage of laid-off workers, although one study painted a much worse picture.

A 1985 survey by the Labor Department's Bureau of Labor Statistics (BLS) showed that in layoffs involving 50 or more workers in seven states it studied, in more than one-half of the events — affecting two-thirds of the workers — no advance notice was given.[6] Meanwhile, a GAO study of companies with 100 or more employees, showed that 24 percent gave no advanced notice to workers involved in layoffs of 100 or more workers during 1983 and '84.[7] The large differences in the two studies' findings could have been due to the fact that the GAO specifically surveyed larger companies, who do tend to give more advanced notice of plant closings and layoffs.

The two surveys' findings, nevertheless, gave support to a variety of interest groups (e.g., organized labor, mayors of affected cities) who were lobbying Congress to enact legislation that would give workers and local communities some lead time to find new work or attract new business. And in 1985 and '87, Congress introduced legislation that attempted to not only offer advance notification of plant closings and layoffs, but also force companies to use procedures for avoiding job losses.

Those bills, however, failed to gain enough support to pass both houses, let alone an expected veto from then President Reagan, who opposed laws he believed overregulated business. Some of the provisions found objectionable in the '85 and '87 legislation were: advance-warning periods ranging from 90 to 180 days, considered too long because it would limit business flexibility; bureaucratic oversight and enforcement — with its attending costs — of advanced-warning provisions; and consultation and sharing of information between employer and employee to identify ways to avoid a layoff or closing, considered too intrusive by business.[8]

In 1988, however, a showdown emerged between Congress and Reagan. Early in the year, the President successfully vetoed trade legislation passed by Congress that contained early notification provisions, even though the advanced-warning provisions were far less stringent than those considered in '85 and '87. But

DOL Brochure Gives Details of WARN Law

The following material on the Worker Adjustment and Retraining Notification Act (WARN) is reprinted in part from a brochure titled, "A Guide to Advance Notice of Closings and Layoffs," produced by the US. Department of Labor's Employment and Training Administration.

General Provisions

The Worker Adjustment and Retraining Notification Act, Public Law 100-379 (29 U.S.C. 2101, et seq.) offers protections to workers, their families, and communities by requiring employers to provide notice 60 days in advance of covered plant closings and covered mass layoffs.

Employer Coverage

In general, employers are covered by WARN if they have 100 or more employees, not counting employees who have worked less than six months in the last 12 months and not counting employees who work an average of less than 20 hours a week. Private, for-profit employers and private, nonprofit employers are covered, as are public and quasi-public entities which operate in a commercial context and are separately organized from the regular government. Regular federal, state, and local government entities which provide public services are not covered.

Employee Coverage

Employees entitled to notice under WARN include hourly and salaried workers, as well as managerial and supervisory employees. Business partners are not entitled to notice.

What Triggers Notice?

Plant Closing: A covered employer must give notice if an employment site (or one or more facilities or operating units within an employment site) will be shut down, and the shutdown will result in an employment loss (as defined later) for 50 or more employees during any 30-day period. This does not count employees who have worked less than six months in the last 12 months or employees who work an average of less than 20 hours a week for that employer. These latter groups, however, are entitled to notice.

Mass Layoff: A covered employer must give notice if there is to be a mass layoff which does not result from a plant closing, but which will result in an employment loss at the employment site during any 30-day period for 500 or more employees, or for 50-499 employees if they make up at least 33 percent of the employer's active workforce. Again, this does not count employees who have worked less than six months in the last 12 months or employees who work an average of less than 20 hours a week for that employer. These latter groups, however, are entitled to notice.

Exemptions

An employer does not need to give notice if a plant closing is the closing of a temporary facility, or if the closing or mass layoff is the result of the completion of a particular project or undertaking. This exemption applies only if the workers were hired with the understanding that their employment was limited to the duration of the facility, project or undertaking. An employer cannot label an ongoing project "temporary" in order to evade its obligations under WARN.

An employer does not need to provide notice to strikers or to workers who are part of the bargaining unit(s) which are involved in the labor negotiations that led to a lockout when the strike or lockout is equivalent to a plant closing or mass layoff. Nonstriking employees who experience an employment loss as a direct

(continued on page 5)

Congress fought back by uncoupling the early notification section from the trade law and, with growing public support for an advanced-warning law, was able to pass WARN in August with enough votes to override a potential veto.

Because of possible repercussions in a presidential election year, Reagan allowed the bill to become law without his signature, but still voiced his opposition in a presidential statement. "Workers should he given as much notice as possible when a business is forced to resort to layoffs, or to close altogether... But the Federal government's mandating that businesses under virtually all conditions must give 60-day's notice — even if doing so eliminates any chance to save the company — is not a proper course."[9]

Although Reagan was unhappy with WARN's passage, he and those opposing advance notification may not have lost as much as his statement indicated. Major concessions along the way limited WARN's power and possibly its effectiveness (see below, "Effectiveness of WARN"). "The plant-closing legislation was weakened considerably during the process and the measure in its present form allows exemptions that could reduce its impact on businesses, said a *Washington Post* article at the time of its passage.[10]

In addition, almost immediately after WARN passed, legislation was approved to help workers affected by major layoffs — the Employment Dislocation Worker Assistance Act (EDWAA) — which likely made early notification more palatable to those opposing WARN. Because by helping workers to re-enter the workplace more quickly, employers' unemployment insurance costs would likely be reduced.

Reasons For, Against Early Notice

When advanced-notification laws were being debated, those for and against it agreed that advanced notifi-

Details of WARN Law

(continued from page 4)

or indirect result of a strike and workers who are not part of the bargaining unit(s) which are involved in the labor negotiations that led to lockout are still entitled to notice.

Who Must Receive Notice?

The employer must give written notice to the chief elected office of the exclusive representative(s) of bargaining agent(s) of affected employees and to unrepresented individual workers who may reasonably be expected to experience an employment loss. Employees who have worked less than six months in the last 12 months and employees who work an average of less than 20 hours a week are due notice, even though they are not counted when determining the trigger levels.

The employer must also provide notice to the state Dislocated Worker Unit and to the chief elected official of the unit of local government in which the employment site is located.

Notification Period

With three exceptions, notice must be timed to reach the required parties at least 60 days before a closing or layoff. The exceptions to the 60-day notice are:

<u>Faltering company</u>. This exception, to be narrowly construed, covers situations where a company has sought new capital or business in order to stay open and where giving notice would ruin the opportunity to get the new capital or business, and applies only to plant closings.

<u>Unforeseeable business circumstances</u>. This exception applies to closings and layoffs that are caused by business circumstances that were not reasonably foreseeable at the time notice would otherwise have been required.

<u>Natural disaster</u>. This applies where a closing or layoff is the direct result of a natural disaster, such as a flood, earthquake, drought, or storm.

Form and Contact of Notice

No particular form of notice is required. However, all notices must be in writing. Any reasonable methods of delivery designed to ensure receipt 60 days before a closing or layoff is acceptable.

Penalties

An employer who violates the WARN provision by ordering a plant closing or mass layoff without providing appropriate notice is liable to each aggrieved employee for an amount including back pay and benefits for the period of violation. The employer's liability may be reduced by such items as wages paid by the employer of the employee during the period of violation and voluntary and unconditional payments made by the employer to the employee.

An employer who fails to provide notice as required to a unit of local government is subject to a civil penalty not to exceed $500 for each day of violation. This penalty may be avoided if the employer satisfies the liability to each aggrieved employee within three weeks after the closing or layoff is ordered by the employer.

Enforcement of WARN requirements is through the United States district courts. Workers, representatives of employees, and units of local government may bring individual or class-action suits.

General questions on the regulations may be addressed to:

U.S. Department of Labor
Employment and Training Administration
Office of Work-Based Learning
Room N-5426
200 Constitution Avenue, N.W.
Washington, D.C. 20210
(202) 219-5577

cation of major layoffs and plant closings was the "ideal situation," but the sides parted when it came to making advance notification mandatory.

Those pro and con put forth a number of reasons for their views, and many of those reasons are provided in this section. But overall, the justification for an advance-notice law came down to an issue of fairness (e.g., time to find another job), while for those opposed to WARN, economic costs — from administering WARN to penalties — were the major themes.

Some of the reasons given for advance notification were:

- that it gives companies, labor and government agencies time to plan and develop adjustment-assistance programs.
- when it's used in conjunction with programs such as EDWAA, it can reduce employers' costs by getting laid-off workers into the workforce more quickly and reducing employers' unemployment insurance costs.
- related to the just-mentioned reason, displaced workers are more likely to participate in job-assistance projects that begin before a job loss. "... it is difficult even to let workers know that help is available after they are out of work and out of touch," said a GAO report.[11]
- whether or not they take advantage of adjustment services, it helps benefit people, by giving workers a chance to develop their own job-hunting or training options, or to adjust financial or other family plans.
- it helps maintain the morale and loyalty of remaining workers and reputation of a company, by showing the company treats its employees fairly. " … workers are less likely to respond in a punitive manner when they perceive that their employer recognizes that the layoff and job transition process is a difficult one and the employer is therefore attempting to buffer the impact," said Ruth Fedrau, an expert in job placement. [12]

> *"Both elements of the compliance mechanism — court enforcement and legal sanctions — pose implementation problems. … By the time a court acts, it is likely that the closing or layoff has already happened ... ."*
>
> *— John Portz*
> *Professor,*
> *Northeastern University*

On the other hand, arguments, against mandating advance notification included:

- it inhibits companies' flexibility in a more competitive, worldwide operating market, by committing employers to make a long-term prediction of business conditions.
- it is too costly, particularly to medium-size businesses. Costs incurred by employers include the administrative costs of developing and executing an apparatus to monitor and forecast market conditions, as well as the administrative costs to provide notice, and costs of penalties. In a 1988 report by Robert R. Nathan Associates, it was estimated that if the WARN law had been in effect in 1983 and '84, it would have cost businesses $1.8 billion each year.[13]
- advance notice "could worsen the conditions that led to the notice and make a firm's decline inevitable. … notice that a firm intends to lay off workers or close gives signals to customers and creditors that the firm is in trouble."[14]
- productivity will decline because of a drain of top talent needed for an orderly closure or layoff, which will reduce profits and worsen conditions that led to the announcement. To keep top talent, companies may need to pay bonuses, adding costs. "The difference between employees' current and expected compensation and alternatives available in the market will be narrowed, causing some workers to leave the firm before expiration of the notification period," said the Nathan Associates study.[15]

GAO Study of WARN Law

Because WARN had only been in effect a little more than three years when this article was first published, little data had been compiled on the effectiveness of the law (e.g., are companies complying with its provisions?), as well as if it had produced any adverse effects on business. However, results from one study and comments by several state and federal officials appeared to suggest that WARN was providing only limited protection for workers and had caused a large amount of confusion in several areas for all parties involved — business, workers, and government agencies.

Subsequently, a study by the GAO, which came out in 1993, was critical of the law's effectiveness and suggested the Department of Labor take a role in its implementation (see Table 1). And more recent anecdotal information (e.g., media reports) by parties affected by the law would imply that WARN still has many detractors.

In a 1992 report by a Northeastern University political scientist, state officials said "loopholes" in WARN, inadequate enforcement provisions, and its overall vagueness have made it easy for employers to avoid compliance with the law or unsure or unaware they need to comply, thus limiting WARN's effectiveness. The results of the report, "WARN and the States: Implementation of the Federal Plant Closing Law," were based on comments and data received from 35 state agencies that handle WARN notices.

Of particular concern to state agency officials were the number and vagueness of "exceptions" allowed under WARN. " … 'loopholes in the law provides avenues of escape for many employers anticipating layoffs/closures,' " one official was quoted in the report.[16] The net effect of creating broad exemptions, said the study's author, John Portz, was to make compliance with WARN more difficult to monitor.

One "exception" considered particularly troublesome by state officials — allows employers to give less than 60-days notice for a layoff or plant closing when there are "unforeseeable business circumstances," which could cover a broad range of reasons and be subject to broad interpretation. Another exception considered too vague, which has caused some confusion in Arizona, exempts companies from providing notice "if the plant closing involves a temporary facility, or if the closing or mass layoff is the result of the completion of a particular project or undertaking."

In 1992, the secretary/treasurer of the state's AFL-CIO, Chuck Huggins, said that one employer in the state was able to avoid issuing WARN notices for the latter exception because the word "temporary" is subject to several interpretations. Huggins said that projects that technically may be "temporary" are in fact "permanent" as long as funding for the project continues for an indefinite period of time.

Portz said in the study that exceptions, however, are only one problem — and a smaller one at that — with the compliance provisions of WARN. The other is enforcement, which is covered by the courts, not by the government.

In order to determine if a company needs to file a notice, court action must be taken by either a company's union, its workers, or units of local government where the company is located. But the problem with this type of enforcement, Portz said, is the "vacuum" that occurs while the court makes its decision.

"The compliance mechanism is seen by the states as one of the weakest links in the implementation process," Portz said. [17] "Both elements of the compliance mechanism — court enforcement and legal sanctions — pose implementation problems. … By the time a court acts, it is likely that the closing or layoff has already happened ... ."[18]

Through February 1992, 47 court cases (none in Arizona) had been filed on WARN in federal courts, with less than half resulting in a court decision, the study said. About a half-dozen each went in favor of the plaintiffs (e.g., workers) and defendants (e.g., businesses) with several others out on appeal.

More recently, a "majority of court cases are settled (out of court)," said Mark Fancher, a WARN expert and senior staff attorney for the National Lawyers Guild/Maurice and Jane Sugar Law Center for Economic and Social Justice in Detroit, Mich., which tracks WARN cases.

But a lot of it has to do with where the court case is heard. "There are just really mixed results, depending on which jurisdiction is dealing with them," Fancher says.

Table 1

Major Findings of General Accounting Office Report on WARN

√ Many Layoffs Excluded from Notice Requirement — More than half of the employers in an 11-state analysis with 100 or more workers that had a layoff affecting 50 or more workers were not required to provide notice. The major reason for excluding these layoffs was the requirement that the layoff affect one-third of the workforce or 500 or more workers.

√ Many Employers Failed to File WARN Notices — Even when closures appeared to meet the WARN criteria, employers did not provide advance notice for half the events analyzed. When advance notice was provided, 20 percent did not give workers the required 60 days' notice.

√ Employers Cited Benefits, Negative Affects of WARN — Of employers surveyed who gave advance notice, 47 percent believed their workers found new jobs sooner as a result of getting advance notice and 61 percent reported costs of less than $500; 29 percent reported productivity declines after giving notices to their workers.

√ Need to Improve Enforcement of WARN — Lawsuits are the only enforcement tool available to workers or local communities under WARN. However, despite the possible violations of WARN, few lawsuits were filed during the first three years of WARN. The costs associated with a lawsuit, the limited incentives, and the uncertainty about the outcomes make using the courts as an enforcement mechanism difficult. Congress should consider giving responsibility and authority for enforcing WARN to the Department of Labor.

Source: *"Dislocated Workers: Implementation of the Worker Adjustment and Retraining Notification Act (WARN)," General Accounting Office, February 1993.*

States and local municipalities also have the option of taking a company that violates the WARN law to court. "But many states have been hesitant to pursue such cases because the law doesn't clearly spell out their right to do so," Fancher said in a Raleigh, N.C., newspaper article.[19] "Those laid off are often too preoccupied with their own problems to take a company to court, and municipalities are either unaware of the law or stretched too thin to pursue such matters," he said.[20]

In January, Connecticut became the first state to sue a company for not complying with the WARN Act. The state's Attorney General, Richard Blumenthal, filed a lawsuit against Walker Digital, an intellectual property research and development lab in Stamford, Conn., for having laid off 106 of 120 employees last year without proper notice.[21] And in November, it was reported that the city of Phoenix was considering taking Southwest Supermarkets to court when it suddenly shut down and laid off all of its employees at seven of its grocery stores in Phoenix and Tucson.[22]

Possibly because of confusion over WARN, many workers in state agencies that receive WARN notices, believe, correctly or incorrectly, that employers are not filing WARN notices when they are required to, said Lou Ockunzzi, a senior evaluator with the GAO, which concluded a study of WARN in 1993. Ockunzzi said the GAO study looked at several aspects of WARN, including the number of WARN notices issued, whether employers were providing notice and in a timely fashion, problems with implementing WARN (e.g., confusing provisions), and court cases.

Pertaining to the WARN notices, the GAO study attempted to measure whether there had been compliance with WARN by comparing the number of WARN notices issued in 1991 with the number of "mass-layoff events" tabulated by BLS' Mass Layoff Statistics (MLS) program (see related story).

> *"In the past several years, many of the alleged violators of WARN have been 'New Economy' businesses, such as Internet companies ... ."*
>
> *— Mark Fancher, Senior Staff Attorney, National Lawyers Guild/ Maurice and Jane Sugar Law Center for Economic and Social Justice*

Although WARN and the MLS program have different triggering mechanisms and thresholds for defining a mass layoff, the GAO and BLS worked out a system to filter out the programs' differences to come up with comparable data, Ockunzzi said.[23]

In a less scientific way, Portz' study compiled data on WARN notices for the first two years of the program and compared it to MLS data in an attempt to gain a general sense of whether companies were providing advance warning. The study's results tended to support views from state officials that the number of WARN notices being filed were not corresponding to what was occurring in the economy, Portz said, showing that in only about three-fifths of cases where the MLS program showed there were mass layoffs, did states receive WARN notices.

In the past several years, many of the alleged violators of WARN have been "New Economy" businesses, such as Internet companies, that quickly dissolved when the economy went south in 2000, said Fancher. "A significant number of them did not comply with WARN. They thought they could get around it." he said.

As suggested by the GAO report, Fancher believes that the only way that WARN will be effectively monitored is through government regulation. In addition, he said clearer language regarding the exceptions needs to be incorporated into the law.

Notes:

1. "Plant Closing: Advance Notice and Rapid Response — Special Report," U.S. Congress, Office of Technology Assessment, September, 1986, Appendix B: State and Local Advance Notice Programs, pp. 56-60.
2. "President Yields on Layoffs Bill," *Associated Press*, published in *The Arizona Republic*, Aug. 3, 1988, p. A6.
3. "Plant-closing law loophole mulled," *Baltimore Sun*, published in *The Phoenix Gazette*, Aug. 3, 1988, p. A3.
4. "Plant Closing: Advance Notice and Rapid Response — Special Report," U.S. Congress, Office of Technology Assessment, September, 1986, Appendix B: State and Local Advance Notice Programs, p. 1.
5. Ibid., p. 5.
6. "How often do workers received advance notice of layoffs?," Sharon P. Brown, *Monthly Labor Review*, U.S. Dept. of Labor, Bureau of Labor Statistics, June 1987, pp. 13-17.
7. Ibid.
8. "WARN and the States: Implementation of the Federal Plant Closing Law," John Portz, presented at the Annual Meeting of the Midwest Political Science Association, Chicago, Ill., April 1992.
9. "Statement on the Worker Adjustment and Retraining Notification Act, *Public Papers of the Presidents of the United States, Ronald Reagan,1988-89, Book 2*, Office of the Federal Register, pp.1009-1010.
10. "Reagan. Bowing to Pressure, Won't Veto Plant-Closing Bill," *Washington Post*, Aug. 2, 1988. p. A1.
11. "Plant Closing: Advance Notice and Rapid Response — Special Report," U.S. Congress, Office of Technology Assessment, September, 1986, Appendix B: State and Local Advance Notice Programs, p 2.

(continued on page 14)

BLS Program Goes in Search of Mass Layoffs

"Next Generation" of MLS System Provides More Detailed Information

Note: Portions of this article were originally published in the April 1992 issue of Arizona Economic Trends. Since that time, the Mass Layoff Statistics (MLS) program was discontinued (November 1992), then brought back to life (April 1995) with numerous changes.

Program Overview

The U.S. recession of the early 1950s marked a major turning point in the country's post-World War II economic history. While the nation had several economic downturns in the previous three decades, the recession of early 1980s not only produced high unemployment rates — averaging close to 10 percent — but began exposing severe cracks in the nation's industrial base, particularly in the manufacturing sector. Because of the severity of that recession, Congress in 1982 created a program as part of newly created job-training legislation — the Job Training Partnership Act (now the Workforce Investment Act) — to track and study the magnitude and impact of U.S. plant closings and mass layoffs.

The Department of Labor's Bureau of Labor Statistics (BLS) was assigned this task and began a pilot project in 1984 involving seven states (including Arizona) to test the feasibility of using state unemployment insurance (UI) benefit files to track mass layoffs. It proved successful and by the second quarter of 1985, BLS and about 10 states began officially tracking mass layoffs through this system. By 1991, 48 states and Washington D.C. had joined the program. The program, however, was stopped at the end of

1992, before restarting in the second quarter of 1995. Currently, all 50 states, Washington D.C., and Puerto Rico participate in the program.

The program was originally called the Permanent Mass Layoff and Plant Closing (PMLPC) program. But the name was changed in 1989 to the Mass Layoff Statistics (MLS) program — as part of a minor overhaul of the program — to more accurately reflect its primary scope and planned changes in the program.

At the time, the major objectives of the BLS program were to identify: 1) industries being impacted by mass layoffs; 2) the magnitude and reasons for mass layoffs; 3) geographic locations of mass layoffs; and 4) the continuing financial and employment impact on workers who lose jobs through mass layoffs. The last goal was accomplished through tracking laid-off workers' UI benefit history, such as the length of time UI benefits are drawn and whether benefits are exhausted before re-employment.

In November 1992, however, the MLS program lost its funding and ceased to officially exist, although states were free to continue to track MLS information on their own with their own funding. But under President Clinton's administration, then Secretary of Labor Robert Reich re-funded the program with an eye toward providing more useful information to states relating to dislocated workers — employees, through no fault of their own, who are laid off in a declining industry (e.g., mining, textiles). When the MLS program started up again in April 1995, it began using a PC-based system that tracks not only mass layoffs at larger-sized businesses (100 or more employees), but dislocated events and closures of smaller-size businesses (at least 15 employees) that previously had not been part of the program. This information, in turn, is used by state's Dislocated Worker Units (funded under the federal Workforce Investment Act) to contact these businesses in order to help laid-off workers get back into the labor force as quickly as possible (see related story, front page).

The MLS program could easily be confused with a more prominent Labor Department program tied to mass layoffs, the Worker Adjustment and Retraining Notification Act (WARN) program (see related story, p. 3). Although both programs use similar criteria for identifying mass layoffs, the purpose and rules covering the two programs are quite different.

The MLS program collects data on mass layoffs that have already occurred or are in the process of occurring, while WARN, started in 1989, is simply an employer-notification program that attempts to provide employees and affected communities with a reasonable notice (at least 60 days) of an expected layoff or plant shutdown as a way to soften the impact of worker dislocation should it actually occur.

How MLS Program Works

The MLS program identifies a mass-layoff event through UI's files of initial claimants. An initial claimant is an individual who has just become unemployed, applies for UI benefits, and has earned enough wages to qualify for some level of benefit payment (see Table 2 for definitions of MLS terms).

Each state has the option of tracking mass layoffs of 20 or more or 50 or more workers. Arizona uses the 50+ criteria because state officials believe the lower criteria would likely identify "events" that are inconsistent with the concept of a "mass layoff" as an unexpected dislocation of a large number of employees."[1]

Depending on the state, an employer who has 20 or more or 50 or more UI initial claims filed against them in any given contiguous five-week period is flagged as potentially having had a major layoff. The employer is then contacted — either by telephone (the preferred method) or letter — to determine if a mass layoff had occurred, how many employees were laid off, and the reason(s) for the layoff.

Verification must be obtained directly from the employer, not a secondary source, such as a newspaper. If the employer refuses to cooperate, the employer is considered as having had a mass layoff.

Of course, if an employer fails to cooperate, there is a potential source of bias in the collection and interpretation of mass-layoff data. As a result, state agencies make every effort to obtain employer cooperation to ensure that on an aggregate basis, data can be used with confidence by governmental and private agencies, as well as the general public.

Not all categories of UI claimants are used to identify an employer as potentially having had a mass layoff. For example, shared-work claimants are not unemployed and, therefore, are excluded from layoff totals.[2] Also, claimants living in Arizona but drawing benefits in another state are excluded, as are strikers unless they subsequently lose their job as a result of the hiring of non-union workers. Included in UI claimant totals are workers indirectly affected by a strike.

Also, not all layoffs in the state will be identified as a "mass layoff" by the MLS program because of UI claimant eligibility rules; the uncertainty of when, where, and if a claimant will file for benefits; and the manner in which an employer conducts a layoff.

To qualify for benefits, a claimant has to be monetarily eligible, which means working for at least one employer covered by UI laws and having made sufficient wages in the first four of the last five quarters.[3] Thus. if an employer laid off 50 employees

Table 1

Background on Mass Layoff Statistics Program

Overview

The Mass Layoff Statistics program is a federal-state cooperative statistical effort which uses a standardized, automated approach to identify, describe, and track the effects of major job cutbacks, using data from each state's unemployment insurance database. Establishments which have at least 50 initial claims for unemployment insurance (UI) filed against them during a consecutive five-week period are contacted by state agencies to determine whether those separations are of at least 31-days duration, and, if so, information is obtained on the total number of persons separated, reasons for these separations, and recall expectations. Establishments are identified according to industry classification and location, and unemployment insurance claimants are identified by such demographic characteristics as age, race, sex, ethnic group, and place of residence. The program yields information on an individual's entire spell of unemployment, to the point when regular unemployment insurance benefits are exhausted. It provides databases of establishments and claimants, both of which are used for further research and analysis.

Data Available

Monthly data report summary information on establishments which have at least 50 initial claims for unemployment insurance (UI) filed against them during a five-week period; data available for 50 states, District of Columbia, and Puerto Rico, as well as by industry; quarterly data report on establishments which have at least 50 initial claims filed against them during a five-week period and where the employer indicates that 50 or more people were separated from their jobs for at least 31 days; information obtained on the total number of persons separated, reasons for separation, worksite closures, recall expectations, and socioeconomic characteristics on UI claimants — such as gender, age, race, and residency. These characteristics are collected at two points in time — when an initial claim is filed and when the claimant exhausts regular UI benefits. In between these points, the unemployment status of claimants is tracked through the monitoring of certifications for unemployment (continued claims) filed under the regular state UI program.

Coverage

Monthly, quarterly, and annual data for 50 States, the District of Columbia, and Puerto Rico. Monthly data are available since April 1995; quarterly data since second quarter 1995.

Sources of Data

Monthly data are based on the administrative records of unemployment insurance filings and establishment classifications. Quarterly data are based on administrative data supplemented with employer confirmation of layoffs and plant closings and additional employer-provided data.

Uses

Sub-state allocations of federal funds for dislocated workers through the Economic Development and Worker Adjustment Assistance Act; analysis of ailing industries or geographic areas, identifying causes and scope of worker dislocation, especially in terms of the human and economic costs, and the characteristics of dislocated workers; development of approaches for work force planners and labor market analysts in assisting employers and/or workers at the local level; analysis of potentially available labor market supply.

Source: U.S. Department of Labor, Bureau of Labor Statistics and all but one was monetarily eligible, the layoff would not be identified as a mass layoff by the MLS program.[4]

There are other instances where layoffs of 50 or more UI-eligible workers are not picked up by the MLS program. One example is when enough of a company's laid-off employees find jobs before filing for UI benefits, bringing down the layoff total under the triggering level (50, in the case of Arizona). Another is when layoffs occur over an extended period of time due to the way a business's operations wind down. An employer could lay off 200 employees, but spread it out over three or four months so that total initial claims over any contiguous five-week period never reaches the trigger level. This scenario has occurred a number of times in the history of Arizona's MLS program.

In addition to the initial claims trigger level, two conditions as part of a layoff event have to be met before a loss of workers is counted as a mass layoff by the MLS program. An employer has to report it laid off at least 50 workers for longer than 30 days. Verification of the number of laid-off workers, also known as separations, and the time period can only come directly from the employer. As a result, layoffs of a substantial number of workers could be excluded from the MLS program, while those of temporary nature could be included in MLS figures.[5]

Another factor determining if a mass-layoff event has occurred is a company's number of physical locations. Some employers have a number of physical locations engaged in the same economic activity (e.g., supermarkets). The MLS program requires that even if one location lays off less than 50 workers, if the aggregated separations over all locations are 50 or more and they are part of the same layoff event, then the employer had a mass layoff.

Finally, in order for a mass-layoff event to qualify as a "plant closing," all the conditions mentioned above have to be met, plus one other requirement — all physical locations in Arizona have to be closed. There have been events during the MLS program's existence where all physical locations were closed, except for administrative offices, and the events were treated as reductions in force rather than plant closings.[6]

Table 2
Selected MLS Program Terms

Establishment. A unit at a single physical location at which predominantly one type of economic activity is conducted.

Initial claimant. A person who files any notice of unemployment to initiate a request either for a determination of entitlement to and eligibility for compensation, or for a subsequent period of unemployment within a benefit year or period of eligibility.

Layoff. The separation of persons from an employer as part of a mass-layoff event. Such layoffs involve both persons who are subject to recall and those who are terminated.

Mass layoff event. Fifty or more initial claims for unemployment insurance benefits from an establishment beginning in a given month, regardless of duration.

Extended layoff event. An event in which 50 or more initial claims for unemployment insurance benefits from an establishment are filed during a 5-week period, with at least 50 workers separated for more than 30 days.

Worksite closure. The full closure of either multi-unit or single-unit establishments, or the partial closure of a multi-unit establishment in which entire worksites affected by layoffs are closed or planned to be closed.

Source: U.S. Department of Labor, Bureau of Labor Statistics

MLS Needs Employers' Help

Because information obtained from employers is necessary to the utility and meaningfulness of the MLS program, MLS data are governed under strict BLS confidentiality rules. Only state and federal employees involved in cooperative/state BLS employment security programs are allowed access to employer data.

Also, when mass-layoff data are published in annual reports, it has to be aggregated and presented in a manner so that identification of participating companies cannot be determined.[7] Requests from the public for data that would identify individual employers are turned down because of this rule. Confidentiality rules, however, do restrict the amount of Arizona data that can be published in the MLS' annual report due to the relatively small number of companies in certain statewide industry groups.[8]

Additional Uses of MLS Data

Although the primary purpose of the MLS program is to assess industries and areas of the country where structural dislocations are occurring, there are other possible uses for MLS data on a statewide and national basis, according to BLS economist Lewis Siegel, who has overseen the MLS program since the early 1980s.

One major use of mass-layoff data for states, Siegel says, is for workforce planning and economic development. For example, when layoffs occur in certain industries or regions of a state, economic-development officials can use that information to attract companies to those areas. This benefits unemployed workers with desired skills and can offer employers a skilled workforce at a more competitive wage.

Another use of MLS data for states is for determining funding levels for state (and their local area) Dislocated Workers Units (funded under the Workforce Investment Act, see above). If a region of a state is adversely affected by mass layoffs, then more WIA funding will be required for those areas.

On a national level, MLS data has

Table 3
Selected State Distribution: Extended Mass Layoff Events, Separations, and Initial Claimants for Unemployment Insurance,1998-2000

State	Layoff Events			Separations			Initial Claimants for Unemp. Insurance		
	1998	1999	2000	1998	1999	2000	1998	1999	2000
Arizona	**74**	**68**	**99**	**11,663**	**24,350**	**22,002**	**14,141**	**12,716**	**17,334**
California	1,428	1,490	1,323	292,436	336,325	316,299	347,410	252,382	230,590
Colorado	31	23	40	4,163	3,455	10,122	3,814	2,347	5,089
Florida	303	209	293	64,168	39,249	53,721	39,996	28,031	48,681
Massachusetts	100	124	130	20,350	33,975	37,362	18,391	21,050	29,904
Michigan	245	384	358	65,941	54,549	58,255	101,435	63,535	66,527
Nevada	35	55	31	6,672	8,578	5,050	6,245	6,929	4,297
New Mexico	33	25	19	6,624	4,843	3,846	3,977	3,175	1,915
New York	272	201	213	46,267	40,803	33,198	44,669	31,552	35,148
Oregon	60	79	73	9,658	13,493	18,422	8,824	9,896	18,405
Texas	353	413	342	73,585	71,913	68,082	84,782	91,156	76,979
Utah	22	24	26	3,916	6,479	6,782	3,346	2,837	3,002
Washington	89	85	103	18,206	22,900	22,369	12,846	19,516	20,360

Notes:

1 Data on layoffs were reported by employers in all States and the District of Columbia.

2 See Figure 1 (on page 2) for mass-layoff separations data for first three quarters of 2001.

Source: U.S. Dept. Of Labor, Bureau of Labor Statistics, July 2001

been used for a number of purposes, including testing the effectiveness of other government programs, and making employment training and other public officials aware of areas of the economy being impacted by defense cutbacks.

For example, a BLS study used MLS data to look at employers' layoff and recall practices as one method for determining if Department of Labor funds for retraining laid-off workers were being used effectively. By using MLS data, BLS determined that workers covered in the study "were highly likely to be recalled by their former employers"[9] — thus opening up the possibility that some retraining funds for dislocated workers are being wasted on workers who are later recalled. Also, because of the reduction in Department of Defense spending during the late 1980s and early '90s, as of 1990 the MLS program began collecting data related to military cutbacks. The MLS program tracks and provides information in its annual publication on mass-layoff events involving about 10 Standard Industrial Code (SIC) industry groups regarded as defense-related (e.g., guided missiles and space vehicles (SIC 36)).[10] This information is tabulated on a national basis, as well as for the top 100 metropolitan areas.

Future of MLS Program

In 1989, as part of minor overhaul of the MLS program, BLS asked federal and state officials involved with the MLS program for ideas to improve the program. Out of about 100 recommendations, a number of proposals were adopted by BLS in 1992, but were not implemented until the program was re-instituted in 1995. Among these were:

- developing a PC-based system that can be run by all states — previously each state ran its own program —that will collect more socioeconomic data on UI initial claimants, such as ethnic groups, older workers, and veterans.
- extending the time period — from three to five contiguous weeks — for initial claims on a company to qualify as a mass-layoff event, in order to capture layoffs that currently may be missed.
- offering more information on an establishment's employment level prior to layoffs or a plant closing, and specifying areas within companies laying off workers or shutting down.

In 1992, opponents of the MLS program claimed that much of the information produced could be deduced from other BLS labor-market programs that track employment and industry detail, such as the Current Employment Statistics (CES) and Current Population Survey (CPS) programs. And those opponents successfully argued that in tight budgetary times the MLS program and its annual cost of about $6 million ranked low on the priority list of BLS programs.

> *"The biggest shortfall (of the MLS program) is we don't identify occupations (of individuals laid off in mass layoffs)."*
>
> *— Lewis Siegel*
> *Economist and*
> *MLS Program Manager,*
> *U.S. Dept. Of Labor,*

At that time, however, Siegel countered the first argument by saying that the MLS program produced "a wide range of unique data that were not available in any other BLS programs." For instance, Siegel said there was a major distinction between the CES and MLS programs in that CES measured *net change* in industry employment, while MLS looked at *gross change.* By looking at gross change, employment fluctuations and industry trends were much easier to detect, Siegel said.

In addition, Siegel said that the MLS program had persevered despite its tenuous history. Siegel said the uncertainty of the MLS program's fate over the years had made implementation of the program — in terms of planning, MLS employee morale, and bringing all states on-line — a more difficult process than if the program had been supported all along.

But with a number of changes that have been made since the program was restored in 1995, it's likely there may be fewer detractors of the MLS program and its popularity will grow. "We've tailored the program (to our major clients' needs), collecting information more relevant to the dislocated-worker community," says Siegel. "We've expanded data collection, identified more potential clients to receive dislocated worker funding, and done a better job in identifying plant closures."

Among new data the program now captures are: potential worker dislocations and plant closures as small in size as 15 people; individuals who appear to be part of a potential dislo-

Effect of 9/11 Events on Mass Layoff Data

In a report of extended mass layoffs covering the five weeks following the terrorist attacks of September 11 (the weeks ending September 15 through October 13), employers reported 292 events involving 88,508 workers separated as a direct or indirect effect of the attacks.

Twenty-seven states reported extended mass layoff activity related to the September 11 incidents. However, 68 percent of these events and 72 percent of the associated separations occurred in just six states —California, Nevada, New York, Illinois, Texas, and Hawaii. Among the workers laid off because of the terrorist attacks, 43 percent, or 37,730, had been employed in the scheduled air transportation industry. An additional 36 percent, or 32,161 workers, had been employed in hotels and motels.

A report on extended mass layoff events identified through November 17 will be issued in late December 2001 as part of the regular release of mass layoffs that occurred in November 2001. This interim reporting will provide a more timely and complete picture of extended layoff events associated with the September 11 attacks.

— U.S. Department of Labor,
Bureau of Labor Statistics

cation event, but work for an establishment that doesn't have any employment history listed in the Unemployment Insurance (UI) files; and declining industries across all industry groups (e.g., not just the defense industry).

One area of data that Siegel wants to eventually include in the MLS program is occupational information on individuals that are laid off. "The biggest shortfall (of the MLS program) is we don't identify occupations (of individuals laid off in mass layoffs) ," Siegel says.

— Stan Gorodenski, RA Economist and former Arizona MLS Program Manager

Also contributing to this story was Brent Fine, Arizona Economic Trends Editor

Notes:

1. It is common operating practice for agricultural companies in the state to temporarily hire large numbers of migrant workers, who then move on to another crop either in Arizona or another state when the crop season ends. Even using the 50+ criteria, Arizona's MLS program picks up a good number of layoff events that are seasonal in nature.

2. Shared-work claimants have not been laid off but have had their work hours reduced by at least 10 percent, but not more than 40 percent. Shared-work claimants receive a percentage of their unemployment insurance benefits based on the percentage that their normal weekly work hours have been reduced.

3. Monetarily eligible claimants are determined by one of two factors: either they have earned at least $1,000 in their highest earnings quarter and total earnings over four quarters have equaled or exceeded 1.5 times the high quarter earnings; or they have earned at least $7,000 in the total base period (first four of the last five quarters) and have earnings in at least two of the quarters.

4. This type of situation may occur when a company employs a large number of "new entrants" into the labor force (e.g., recent college graduates), who have a greater likelihood of not qualifying for UI benefits due to insufficient wages.

5. For example, if 100 initial claims were filed against an employer, but the employer states only 49 employees had been laid off (separated), then the layoff event is not considered a mass-layoff event for MLS program purposes. Similarly, the MLS pro gram does not count a layoff event if an employer lays off 50 employees but recalls one on the 30th day. Conversely, there have been instances of employees being laid off for a short time period (such as six weeks) due to plant maintenance and repair, but because the recall date exceeded 30 days the event counted as a mass-layoff event.

6. Although the MLS program still keeps track of plant closings, it does not publish this data as part of its annual MLS report.

7. Like other BLS programs, aggregate data on particular industries cannot be divulged to the public if the industry is represented by fewer than three employers, or if one employer accounts for 80 percent or more of the separations.

8. For example, Mass Layoffs in 1990, Bulletin 2395, U.S. Department of Labor, Bureau of Labor Statistics, February 1992.

9. "Employer Layoff and Recall Practices," prepared for U.S. Department of Labor's Employment and Training Administration by U.S. Department of Labor's Bureau of Labor Statistics, January 1992, Executive Summary and Preface, pp. iii-vi.

10. The Standard Industrial Classification (SIC) system is the statistical classification standard underlying all establishment-based federal economic data. The structure of the SIC systems makes it possible to tabulate, analyze, and publish employment data on four levels, according to the amount of industry detail considered most appropriate. The four levels are: division (one digit), major group (two digit), industry group (three digit), and industry code (four digit). AET

WARN Has Too Many Loopholes, Officials Still Say

(continued from page 8)

12. "Easing the worker's transition from job loss to employment," Ruth H. Fedrau, *Monthly Labor Review*, U.S. Department of Labor, Bureau of Labor Statistics, May 1984, pp.38-40.

13. "The Private and Public Sector Costs of Proposed Mandatory Advance Notification Legislation," Robert R. Nathan Associates, Inc., Washington D.C., January 1988. pp. 18-22.

14. "Plant Closing: Advance Notice and Rapid response — Special Report," U.S. Congress, Office of Technology Assessment, September, 1986, Appendix B: State and Local Advance Notice Programs, p 2.

15. "The Private and Public Sector Costs of Proposed Mandatory Advance Notification Legislation," Robert R. Nathan Associates, Inc,. Washington D.C., January 1988. p.8.

16. "WARN and the States: Implementation of the Federal Plant Closing Law," John Portz, presented at the Annual Meeting of the Midwest Political Science Association, Chicago, Ill., April 1992. p. 8.

17. Ibid., p. 9.

18. Ibid., p.9.

19. "Stealth Layoffs Challenge North Carolina Employment Security Commission," Karin Schill Rives, *The News & Observer*, July 20, 2001.

20. Ibid.

21 Ibid.

22. "Store closings lawful," *Associated Press*, published on Arizona Central Internet site (www.azcentral.com), Nov. 2, 2001.

23. The Mass Layoff Statistics (MLS) program identifies "mass-layoff events" through unemployment insurance files of initial claimants. An initial claimant is an individual who has just become unemployed, files for U.I. benefits, and has earned enough wages to qualify for some level of benefit payment. For most states, when 50 or more U.I. initial claims are filed against a company in any given contiguous three-week period, it is flagged as potentially having had a major layoff. The employer is then contacted to determine if a mass layoff had occurred, how many employees were laid off, and the reason(s) for the layoff. AET

Industry Update

Note: This issue includes the period affected by the Sept. 11th terrorist attacks.

Phoenix Metro Area

Manufacturing

Schaumburg, Ill.-based **Motorola Inc.** announced several major cuts in operations in September and October. In early September, Motorola said it would **eliminate 2,000 more jobs** — all from its **Global Telecom Solutions Sector (GTSS)**, which has major operations in Arizona. The company cited lower-than-expected demand for its cellular phone-network products. **No information** was available on **how many of its 1,300 GTSS employees** at a **Chandler facility** (2501 S. Price Road) would be affected. The news comes only a few weeks after Motorola announced that it was shutting down its semiconductor operations in Mesa over the next 2½ years. Then, in mid-October, Motorola said it plans to **eliminate** another **7,000 positions**. The new job cuts, however, may not be as bad as it appears because 4,000 of the positions are in Motorola's Integrated Information Systems Group, which was recently sold to General Dynamics. And Virginia-based General Dynamics said it doesn't plan to eliminate those jobs. The **other 3,000 positions** will come through **attrition and layoffs across all operations worldwide**, although Motorola hasn't specified where and when the cuts will come. Since the beginning of 2001, the electronics manufacturer has announced layoffs of 39,000 workers, or about 20 percent of its worldwide workforce.

Despite the economic downturn and recent terrorist attacks, with little fanfare **Intel Corp.** officially **opened** its **third fabrication plant in Chandler** and 22nd overall in mid-October. The $2 billion, 360,000-square-foot facility, which currently **employs 1,800 workers** (of which 1,000 are new), will make Pentium 4 microchips used in high-end desktop and laptop computers. Intel expects production of the first chips at Fab 22 to begin in November, with the plant reaching full production in 2003. It is the second fabrication facility (Fab 6 opened in 1996) on the 705-acre Ocotillo campus, Dobson Road and Ocotillo Boulevard. As part of the project, which took only 18 months, two support facilities totaling 443,000 square feet were also constructed.

Valley-based Honeywell Aerospace said it will **eliminate 1,500 Phoenix-area jobs** as part of a worldwide **retrenchment of 4,800 positions.** The **division of** New Jersey-based **Honeywell International**, which **employs 14,000 Valley workers**, makes a variety of products for commercial aircraft, operating eight plants in the Valley and another in Oro Valley north of Tucson. The layoffs — which come on top of 9,000 Honeywell International job cuts (800 in the Valley) announced earlier this year — is due to an expected decline in demand for commercial aircraft due to the terrorist attacks.

Scottsdale is home to **two up-and-coming manufacturers** that have been in the news lately. **National Scientific Corp.**, which **employs** about **10** people, was expected to **merge** its Phoenix and San Jose, Calif., **operations** in early October. The company designs and licenses products — low-power memory, amplifiers — used in small environments, such as laptop computers and cell phones. The other high-flying Scottsdale business is **Medicis**, a pharmaceutical company that **produces skin-care products**. Medicis has issued one new product a year the past 10 years, including Dynacin, the No. 1 oral treatment for acne. The company plans to **expand its nationwide sales force** by 25 percent.

Western Container signed a 10-year lease to **produce recyclable plastic bottles for Coca-Cola** at a 285,000-square-foot **manufacturing facility** that will be built **in Tolleson**. Centex Investment Co. of Dallas will develop the plant on 20 acres at 99th Avenue and Buckeye Road. Western Container expects to **initially hire** a little more than **100 people** when the plant opens next June.

Construction

The off-and-on **Scottsdale Waterfront project** is **off again**. The planned 11-acre **mixed-use development** at Scottsdale and Camelback roads hit another roadblock in mid-September when the **two current developers** (Artemis Realty Investors and Starwood Western Capital) decided to **dissolve their agreement**. Concerns over the viability of the office building and hotel portion of the project, in light of the weakened economy and terrorist events, led to the deal's demise. A residential- and retail-only development is now envisioned. Prior to this agreement, a much larger project was planned by another developer, but concerns over the project's size and scope led to it being scrapped.

Transportation, Communications, and Public Utilities

As a direct result of the terrorist attacks, **two Valley-based airlines announced major cutbacks** in mid-September. Tempe-based **America West Airlines** reduced their flight schedule 20 percent and **laid off 2,000 employees**. America West, which had 14,000 employees system-wide prior to the cuts, said the layoffs would be implemented by attrition, deferred hiring, and selected reductions in force. **No specific information** was given about the **number of people** affected **in Arizona**, but the company notified the state — through the federal Workforce Adjustment and Retraining Notice (WARN) program — that it was laying off 2,000 workers, so it's likely most of those affected will be in Arizona. At the same time, Phoenix-based **Mesa Air Group Inc.** said it would **lay off 700**

employees system-wide, **including 200** of its **1,000 Valley workers**. The company, which operates New Mexico-based Mesa Airlines, employed about 4,000 people prior to the cuts.

As a direct result of the Sept. 11th events, **Sky Harbor International Airport** has **stopped working on most** of its planned **$1.2 billion in expansion projects**. Among projects halted were a $200 million rental car facility, a $35 million parking structure, and a $650 million mega-terminal that would replace terminals 2 and 3. Sky Harbor had based its expansion plans on annual passenger totals growing from 36 million in 2000 to an estimated 45 million by 2006.

Global Crossing, an international communications company, was **planning to open** a state-of-the-art $8 million **customer-support and research center in Ahwatukee** in November. Expected to **employ 200 people within two years** (and potentially expand to 400) in various high-tech jobs — network engineers and operators; system programs and managers — the 65,000-square-foot facility will provide customer service to corporate and government users of its 100,000-mile fiber-optic network that spans 27 countries.

Finance, Insurance, and Real Estate

A $7.7 billion **bankruptcy plan** for Scottsdale-based **Finova Group Inc.** may be **in jeopardy** due to events associated with the terrorist attacks. One of the backers of the plan, **Berkshire Hathaway Inc.**, said it **would not buy** $500 million worth of **$3.25 billion in bonds** issued to creditors in September. Berkshire Hathaway and Leucadia National Corp. formed Berkadia LLC as part of the bankruptcy plan to hold a 50 percent stake in Finova. But concern about potential losses for Finova, which specializes in leasing aircraft ($1.8 billion in leases), and its own exposure as the nation's largest reinsurer (insurer for insurance companies) has given Berkshire Hathaway "cold feet."

Unrelated to the terrorist attacks, insurer **USAA** announced in August that it was **cutting nearly 1,400 jobs**, or 6 percent of its workforce. The job cuts, however, were **not expected** to **affect USAA's new customer service center** in **north Phoenix**, which plans to **add a couple hundred workers** to its workforce of 300 by the **end of the year**. Eighty-five percent of the cuts, which were necessitated by a drop in earnings, were planned for the company's corporate headquarters in San Antonio.

Due to continued economic and stock market weakness, **Charles Schwab Corp.** announced it would **lay off** by the end of October **up to 2,400 employees**, or 11 percent of its workforce. The cuts come on top of 4,500 jobs eliminated (including 600 in the Valley) by the San Francisco-based financial services company earlier this year. As of September, the top U.S. discount brokerage has about 3,000 employees in the Phoenix metro area.

Prior to the Sept. 11th events, the **Valley housing market** had **remained strong**, despite a weakened economy. Single-family housing permits were up more than 20 percent, year over year, in August, and home re-sales were up 9 percent for the same period. But a Phoenix housing analyst expects the real estate market to weaken significantly, despite setting yearly records for new homes and re-sales in 2001. The refinancing market, however, is expected to continue to stay strong because of expected lower interest rates.

Trade

Bartlesville, Okla.-based **Phillips Petroleum Co. implemented** the **first of several expected job cuts** after it officially completed its takeover of Tosco Corp. in mid-September. About **20 employees** of Tempe-based **Tosco Marketing**, which oversees the operation of 6,400 Circle K convenience stores, were **laid off**, with more of the former Tosco subsidiary's 1,364 employees expected to get unemployment notices. In July, the Tosco division laid off 200 employees in anticipation of the merger. It's expected that Phillips will sell off a portion of the Circle K stores.

It won't make it in time for this year's Thanksgiving Day parade in New York City, but **Macy's** department store will **move into** a three-story location at **Scottsdale Fashion Square** vacated earlier this year by Sears. A part of Cincinnati-based Federated Dept. Stores, Macy's will begin renovating the 250,000-square-foot store after January, with an **expected opening next fall**. The Fashion Square store will be Macy's fifth Valley location and seventh overall in Arizona.

Services

To speed up the road to profitability, a Scottsdale-based **maker of Internet learning programs laid off 8 percent** of its workforce, or **28 people**, in early October. **KnowledgeNet**, which will still have 300 employees, made the cuts in administrative and operations positions. Investors put pressure on the start-up technology company to show a profit by the third quarter of 2002, when KnowledgeNet plans to issue stock. **Since** the Sept. 11th **terrorist attacks**, KnowledgeNet has **picked up an additional $5 million in business**, as companies are turning to e-learning to avoid spending money on travel costs.

One industry that hasn't been affected by the terrorist attacks is health care. And **Good Samaritan Regional Medical Center**, 3rd Street and McDowell Road, is celebrating its 90th birthday by announcing plans for a **$90 million expansion** of its central Phoenix operations. Good Samaritan **will increase bed capacity from 508 to 625**; **add a new intensive care unit**, which is expected to open in January; construct a **new facility** to house **ambulatory care**, **medical imaging**, and **cardiac services**; and build a **new parking structure**. The **entire project** is expected to be **completed by 2004**. Good Samaritan is a subsidiary of Banner Health Systems, which operates hospitals in 14 states, including six others in the Valley.

Another industry apparently untouched by the Sept. 11th events is **real estate**. One company "bullish" on the Valley is **CMX Group Inc**., a **civil engineering** and **land-management** company. CMX, which employs 140 in the Phoenix metro area, is **expanding its operations**, in light of its involvement with numerous residential projects throughout Maricopa County and potential work at airports that need to be redesigned for security reasons.

A **Phoenix provider of live Internet-based medical training classes** has **purchased** a **Chandler-based company** which produces similar types of materials. Through acquisition of Learning Edge Inc., **EDT Learning Inc.** will acquire the company's award-wining presentation software and access to its high-profile clients (e.g., American Express, Motorola). EDT, which is **expected to keep 25** of the Chandler **company's employees**, offers Webcast training to dental manufacturers, medical and pharmaceutical sales representatives, and others in the health-care field.

A small Valley high-tech company is shifting gears (and genes) because of the threat of bioterrorist attacks. Phoenix-based **Designer Genes Inc.**, a two-year company funded through venture capital, will use a process originally designed to detect cancer and other diseases to **detect viruses and bacteria**, such as anthrax and smallpox. The company's product, called RiboMax Path, is able to determine much quicker than a laboratory if a patient has one of these deadly diseases, thus potentially saving lives. In addition, Designer Genes currently has a **grant from the Army to create vaccines for biological agents**. With less than 10 employees, **biological-testing companies** such as this firm are likely to see **significant increases in employment** based on an industry that is growing 30 percent to 50 percent annually.

Government

The **Phoenix Internet Institute**, which offers a two-year webmaster program, opened in early September with **eight part-time instructors**. But the school, which is part of the University of Arizona Extended University, **expects to employ 35 part-time teachers** as it expands over the next several years. Located at 2700 N. Central Ave., Suite 1120, Phoenix Internet Institute has three labs, with each consisting of 18 workstations. For more information on programs offered, check the school's web site: www.uaii.arizona.edu.

Tucson Metro Area

Manufacturing

The expected **acquisition** of the **largest hangar at Tucson International Airport** will allow **Bombardier Aerospace** the room to **expand** its **operations** over the next several years. Bombardier, which makes small and mid-size corporate jets, has agreed to purchase three buildings — including a 234,000-square-foot hangar — formerly owned by Lockheed Martin, which closed its Tucson operations in 1995. The Canadian-based company is gearing up for **production** of its new eight- to 16-seat **Continental corporate jets**, which will be assembled in Wichita, Kan., then sent to Tucson for interior work, and testing of mechanical, electronic, and avionics systems. Bombardier, which employs about 2,000 in Tucson, announced last year that the Continental project would **bring 300 new jobs** to Tucson.

As part of a consolidation plan, **Vanguard Automation** is **moving** its manufacturing and engineering **operations** in Tucson to its corporate home of **Hauppauge, N.Y.** Vanguard, which will **eliminate 110 jobs** in Tucson (with some workers being offered a chance to relocate), makes ball-grid arrays for semiconductors.

An Antioch, Calif.-based company that **makes miniaturized motors** opened a **design and production facility** (3925 E. 29th St.) in September. **NanoMuscle Inc.**, which produces lightweight motors for toys, cars, and appliances, expects to **employ 25 people** within a year.

Two Tucson machine shops have **eliminated positions or postponed the hiring** of new workers due to the weakened economy. **Competitive Engineering**, which makes parts for the aerospace and electronics industries, has **laid off** about **one-third** of its **workforce of 150**, while 20-year-old **Accurate Products Co.** has **delayed** for several years **adding** a number of **positions** to its staff of 40.

Construction

A 71-year-old nonprofit foundation wants to bring new life to old neighborhood. The **Marshall Foundation**, plans an estimated **$36 million** worth of **retail, office, and restaurant projects** to revitalize **10 acres** by the **west entrance to UofA**. Construction was set to begin in November at North Park Avenue and East Second on a $19 million, 115,000-square-foot building that will feature shopping, restaurants, and office space. Scheduled completion of the five-story project is December 2002.

Transportation, Communications, and Public Utilities

Pending regulatory approval, **Tucson Electric Power** (TEP) expects to begin **construction** of a natural gas-fired **power plant** near Interstate 10 and Rita Road by the **end of the year**. TEP expects the **Vail Generation Station**, which will produce 150 megawatts of power (enough for 150,000 people), will be completed in late 2003.

Finance, Insurance, and Real Estate

Dun & Bradstreet Management Services was expected to **open** a **customer service center** in mid-October, with **employment** expected to **grow to 500** by the end of 2002. Tucson was selected over several other western cities (including Phoenix) because of its abundant bilingual (English and Spanish) labor supply, said the company's president. The Tucson facility, which will be one of nine call centers worldwide, will **provide** services for **electronic billing, collections, and bankruptcy**.

Services

Citing a need for better air service, a more skilled labor force, and being close to research facilities in Los Angles, the

national headquarters of the **Muscular Dystrophy Association** is **considering leaving Tucson**. While its **160 employees** are not large in terms of employment, MDA's national reputation and media exposure bring a lot of attention to Tucson. MDA moved to the "Old Pueblo" in the early '90s after Pima County provided $1.5 million in incentives.

One industry apparently immune to terrorist events and a sluggish economy — at least in Pima County — has been Indian gaming. In mid-October, the **Pascua Yaqui Tribe opened a $65 million casino**, restaurant, and 4,400-seat amphitheater as the first of two phases of development on tribal land about seven miles southwest of downtown Tucson. This followed on the heels of the opening in July of the Tohono O'odham's new **Desert Diamond Casino**, 15 miles west of Tucson. The **second phase** of the Pascua Yaqui's casino/resort project, which is expected to **open in a year**, will include a bowling alley, bingo hall, and nightclub.

Government

Partially a victim of the state's $1.6 billion deficit, **Arizona International College** (AIC) will **close its doors** after the school's 417 students have completed their studies. A small liberal arts school started as an extension of the University of Arizona, Arizona International was likely to have gone by the wayside in the near future because only 24 students have graduated in the six years of the school's existence. The school, which **employs faculty of 20** and a **staff of four**, operates on UofA's campus.

Balance of State

Manufacturing

The economic slowdown has cost about **100,000 jobs** in **maquiladora plants** along the **northern Mexico border**, according to an *Associated Press* story, with an estimated **one-fifth** of those job losses occurring in the **state of Sonora**, across from Arizona. About 3,500 maquiladoras, or "twin plants," line the northern Mexican border employing about 1.2 million workers, with the vast majority across from Texas and California (see related story in "Miscellaneous," below). Typically, major corporations will build a plant on the Mexican side that does more labor-intensive work, while the U.S. plant will handle more capital-intensive and high-tech production work.

A job fair by a Valley **wood-furniture manufacturer relocating to Payson** attracted nearly 200 people in mid-September. Chandler-based **The Door Stop** expects to **employ 60** when it opens its doors next year at the Sky Park Industrial Park. Starting pay for nonsupervisory personnel will range from $7.50 an hour to $12 an hour, high wages by Payson standards.

The **Prescott area** received a significant blow when a **maker of chemical carpet cleaners** said it plans to **close two local facilities** and **lay off 90 workers**. At one time contemplating expanding its operations in Prescott, the fortunes of **ProChem** changed in spring of 2000 when it was **acquired by Castle Rock Industries** of Englewood, Colo. Castle Rock, which will consolidate Prescott's manufacturing operations at its Denver-area plant, has offered to relocate workers where possible. Operations at **ProChem's headquarters** and manufacturing facility **in Chandler**, where it employs 65, **will not be affected** by the Prescott closure.

Transportation, Communications, and Public Utilities

Tax and **environmental concerns** could **scuttle plans** for or **hinder construction** of **two power plants** (one in the U.S. and one in Mexico) along **Arizona's southern border**. A planned **$300 million electric generating facility 20 miles east of Yuma**, scheduled to be operational in 2004, **could cause tax problems** if its developers form a limited liability corporation. In that case, the plant may be partially or fully exempt from property taxes, potentially costing Yuma County $2.3 million a year. Although Yuma County officials want the power plant, they are lobbying the Arizona Corporation Commission against approving a limited-liability corporation, thus possibly scuttling the project. Meanwhile a **power plant under construction in Agua Prieta, Sonora, Mexico** (across the border from Douglas) has come under fire because of concerns over water use and air pollution. Effluent water from Douglas is needed to cool the natural gas-fired plant, but there are questions if there will be enough water available and the potential contamination of the water when it is returned to the system. Although it's likely the plant will be completed, several construction modifications may be needed to alleviate environmental concerns.

With the governor and other dignitaries on hand, the **Griffith Energy Plant**, 15 miles southwest of Kingman near Interstate 40, **began operation** at the end of September. The 600-megawatt natural gas-fired plant, owned by **PPL Global** of Fairfax, Va., and **Duke Energy North America** of Houston, will **employ about 40 people** and generate enough electricity for about 300,000 homes. Griffith, which will help fuel economic development in Mohave County, is one of four generating plants in the state that came on-line this summer.

A small telecommunications company in Flagstaff has experienced **significant growth** since it started operations two years ago. **Aspen Communications**, which has grown from two to 16 employees, installs phone systems, computer networks, and high-speed Internet connections, as well as develops web sites. The company — which pays wages well above Coconino County's average of $11 an hour — has clients all over northern Arizona and hopes to expand its business throughout the Southwest. For more information, go to its web site: www.aspentelco.com.

Finance, Insurance, and Real Estate

The **Arizona State Parks Board** voted 5-1 to **acquire property** adjacent to Kartchner Caverns State Park near Benson that was **slated for a $40 million resort**. Fears that building of the proposed **Whetsone Springs Resort** on 180 acres off of State Route 90 **could endanger Kartchner Caverns' fragile ecosystem**, drove the board to offer to purchase the property for $1 million or exercise eminent domain if the developer, Helmut Horn of Coastal Hotels Group, refuses to sell the property. Horn, who had received approval for the project from the Benson Planning and Zoning Commission in July, was **planning a lodge with 216 villas, 128 casitas**, spa, swimming pools, and tennis courts.

Downey Savings & Loan of Newport Beach, Calif. will **open** its **first two Arizona branches** in **Bullhead City** and **Kingman**. With $11 billion in assets, Downey Savings & Loan has 133 branches in California. No expected opening dates or employment information were available.

Trade

Sears became the **first major tenant** to open in **Payson's Rim Country Mall** in late August. The 75,000-square-foot shopping center on Highway 260 — which occupies a former Wal-Mart building — was initially expected to be fully open by the beginning of August. Another major tenant, Payson Athletic Club, was expected to open by early November.

Services

A **carpenters strike** in mid-August **slowed work** on the $35 million **expansion of Havasu Regional Medical Center** in **Lake Havasu City**. While work on the first and third floors, which will add 30 private beds, is on schedule for a February opening, second floor additions could be delayed.

Government

After beefing up its Arizona ranks (to about 2,000) in recent years, the **U.S. Border Patrol might lose** a good number of **agents for** higher-paying **sky marshal jobs**. In addition, it's expected that many border agents will be called up to active duty in the reserves. To prevent additional highjackings, President Bush announced that sky marshals would begin flying on many U.S. flights. While starting salaries for border patrol agents and U.S. marshals are about the same (between $35,000 and $37,000), border agents tend to work long hours and receive fewer benefits than other federal workers.

Statewide

Manufacturing

As fallout from the terrorist attacks, a company that provides pre-packaged meals for airlines **laid off 175** of its 586 **Arizona employees**. **LSG Sky Chefs** let go 30 percent of its U.S. workforce, or 4,800 employees, in late September. A cutback in food service on airlines, in addition to severe reductions in flights, caused the layoffs. About 450 of Sky Chef's employees work in the Phoenix metro area.

The **U.S. Defense Department** is **in negotiations** with **defense-product manufacturers** in order to determine how quickly they can gear up operations. Boeing Co., Honeywell, Raytheon, General Dynamics Decision Systems (formerly Motorola's Integrated Information Systems Group) and other **defense companies in Arizona** will **likely see** an **increase in defense-related orders**, such as helicopters, cockpit and communications equipment, and missiles. Honeywell recently laid off 1,500 people at its commercial aviation operations in Phoenix (see above). However, like Boeing, which is laying off people at its commercial operations in Seattle while its defense operations in Mesa are strong, Honeywell's military divisions don't appear to have been hurt by the economic downturn and the events of Sept. 11th.

Transportation, Communications, and Public Utilities

Slower growth will force **Qwest Communications International** to **cut 4,000 jobs**, or 6 percent of its workforce. About **one-third** of the **cuts** will come from the corporate headquarters **in Denver**. **No information** was available on the **potential effects on Arizona's 7,500 Qwest employees**.

Finance, Insurance & Real Estate

As part of the American Dream Commitment, **Fannie Mae** will **make available $15 billion** in **affordable mortgage loans** to **disenfranchised Arizonans** over the **next five years**. For example, **in Tucson**, Fannie Mae is investing $16 million to replace a public-housing project with **new apartments and 190 rental and single-family homes**. A private-sector home mortgage lender, Fannie Mae will distribute $2 trillion in loans nationally to groups that have been unable to afford homes over the last decade — immigrants, minorities, young families. One program, the Teacher A-Plus mortgage, will allow teachers to purchase a home with as little as a $500 down payment.

Services

More and more of **Arizona's nursing homes** are **expected to go under** as part of a **national financial crisis** facing the industry. Underpayments of $3 billion in state Medicaid payments have caused hundreds of nursing homes to close nationally in recent years — including **seven in Arizona** in the past year — according to the Arizona Health Care Association (AHCA). And many of the national nursing home chains are likely to close up shop in this state as well, an AHCA official said. In the **past three years**, Arizona has **lost 1,000 nursing home beds**, or about 5 percent of its statewide total, which currently stands a little above 17,000.

Government

A projected **$250 million shortfall** for fiscal year 2001-2002 (July 1, 2000-June 30,2002) is forcing the **state of Arizona** to cut agency budgets by 4 percent, which ultimately **could lead to layoffs**. Declining revenue from state sales and income taxes has caused most of the projected deficit. AET

MLS Program, WARN Give Insight into Mass Layoffs

(continued from page 2)

to track the effects of mass layoffs on the nation's economy (see related story on page 9). It is run in Arizona by DES, Research Administration. Another source of job-loss information is from data compiled from Worker Adjustment and Retraining Notification Act (WARN) notices (see related story on page 3). With some exceptions, the WARN law requires medium-size and large companies to give early notification (at least 60 days) to workers and communities when they plan major layoffs or are closing a plant. DES' Dislocated Worker Unit — which as part of the state's Workforce Investment Act program provides assistance (e.g., job training, skills assessment) to workers affected by mass layoffs — keeps track of that information.

One example of the usefulness of MLS data was evident when DES, Research Administration found a correlation between Arizona MLS and nonfarm payroll data between October 1999 and September 2001. In three instances where the number of persons involved in Arizona mass layoffs spiked during that period — March-April 2000, October 2000, and March-April 2001 — nonfarm payroll employment dropped significantly within the following months (see Figure 1, page 2). A similar correlation, however, was not found when comparing Arizona WARN and nonfarm payroll data.

Specific details about the MLS and WARN programs can be found in this issue from articles that are being republished, in part, from the April and May 1992 issues of *Arizona Economic Trends*, which is now published quarterly. The articles have been updated to reflect changes over the past 10 years. The MLS program, WARN legislation, and state Dislocated Worker programs are designed to work together to soften the blow — for laid-off workers, as well as local communities — when massive displacement of workers occurs. (Information on changes to state Dislocated Worker programs will not be detailed in this article. For more information on Arizona's Dislocated Worker program, see the fall and winter 1998 issues of *Arizona Economic Trends*.)

Notes:

1. "When layoffs are announced, numbers don't always add up," David Leonhardt, *New York Times*, published in the *East Valley Tribune*, Feb. 20, 2001, p. B1.
2. Ibid.
3. Ibid. AET

— Brent Fine
Arizona Economic Trends Editor

Arizona Economic Trends is published quarterly by the Arizona Department of Economic Security, Research Administration, by authority of the Wagner-Peyser Act and through funding provided by the U.S. Department of Labor. Reproduction of *Arizona Economic Trends* for commercial use is prohibited by Section 39-121, Arizona Revised Statutes. Permission to reprint this publication, or parts of it, for non-profit use may be granted upon written request (see below for address).

Research Administrator	Dan Anderson
Managing Editor	Ron Simon
Editor	Brent Fine
Publication Assistant	Rosemary Jones

The purpose of *Arizona Economic Trends* is to provide an update and analysis of state and county employment and economic data, as well as information on state and national programs and policies that affect the nation's and Arizona's labor markets. Included in this publication twice yearly are Research Administration's two-year projections of employment, unemployment, and labor force for Arizona and its major sub-state regions.

U.S. residents may receive this publication free of charge by writing to: Arizona Department of Economic Security, Research Administration, P.O. Box 6123, Site Code 733A, Phoenix, AZ 85005; or by calling (602) 542-3871. Subscribers who do not wish to continue receiving the publication are asked to indicate so in box below and mail to above address. If your address has changed, please mark box and return mailing label with correct address to above address.

❑ Would like to subscribe
❑ No longer wish to subscribe
❑ Change of address

Name ______________________________

Street Address ______________________________

City, State, ZIP ______________________________

Employment Security - Labor
Labor Market Information Publications
Site Code 733A
P.O. Box 6123
Phoenix, AZ 85005

First Class Mail
Postage & Fees Paid
Employment Security - Labor
G-12

Official Business
Penalty for Private Use, $300

Printed on recycled paper

NLL-020
Equal Opportunity Employer/Program
For alternative format/reasonable accommodations: (602) 542-3871